

Module 8 - Claiming Child Tax Credit and Additional Child Tax Credit

Tax Tutorial

In this tax tutorial, you will learn about two [tax credits](#) for children:

- child tax credit
- additional child tax credit

These credits are in addition to the credit for child and dependent care and earned income credit.

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Module 8 - Claiming Child Tax Credit and Additional Child Tax Credit

Child Tax Credit

The child tax credit allows taxpayers to claim a tax credit of up to \$1,000 per qualifying child.

To claim the child tax credit, there are:

- requirements for the qualifying child
- requirements for the taxpayer
- limits on the amount of credit

In order to claim the child tax credit, the taxpayer must have at least one eligible child.

Tax Tip: *Don't confuse these credits with the child and dependent care tax credit!*

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Qualifying Child Requirements

To qualify, the child must:

- be under age 17 at the end of the tax year
- be a citizen or resident of the United States
- not have provided over half of his/her own support for the tax year
- lived with the taxpayer for more than half of the tax year
- be the taxpayer's:
 - o child, stepchild, adopted child or a descendant of one (for example, a grandchild), or eligible foster child
 - o brother, sister, stepbrother, stepsister, or a descendent of one

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Qualifying Child Example

Mary and Ed's adopted daughter, Tina, turns 12 during the tax year. She lives with Mary and Ed all year and is a resident of the United States. Mary and Ed support Tina. Tina is a qualifying child for the child tax credit because she is:

- under 17
- a resident
- living with Mary and Ed
- not providing more than half of her own support
- Mary and Ed's adopted child

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Quick Check!

Answer the following true-false questions about the limits on the amount of credit a taxpayer can receive for the child tax credit by clicking on the correct answer. To assess your answers, click the *Check My Answers* button at the bottom of the page.

1) Bill's son, Jeff, turned 17 on December 30, 2007. He is a citizen of the United States. Jeff lives with Bill and is supported by him. Jeff is a qualifying child for the child tax credit.

- A. True The correct answer is false.
- B. False

2) Laura's foster son Jack is 12. He is a citizen of the United States, he lives with Laura, and she provides financial support for him. Jack is a qualifying child for the child tax credit.

- A. True The correct answer is true.
- B. False

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Child Tax Credit Taxpayer Requirements

Taxpayers must provide the name and social security number of each qualifying child on their tax returns.

Exemptions		6a <input type="checkbox"/> Yourself. If someone can claim you as a dependent, do not check box 6a.				Boxes checked on 6a and 6b No. of children on 6c whom:
b <input type="checkbox"/> Spouse						
c Dependents:		(2) Dependent's social security number	(3) Dependent's relationship to you	(4) <input checked="" type="checkbox"/> If qualifying child for child tax credit (see page 19).		
(1) First name	Last name					
James	Newberry	0000 00 3330	Son	<input checked="" type="checkbox"/>	• lived with you	
				<input type="checkbox"/>	• did not live with you due to divorce or separation (see page 20)	
				<input type="checkbox"/>	Dependents on 6c not entered above	
				<input type="checkbox"/>	Add numbers on lines above ▶	
d Total number of exemptions claimed						<input type="text"/>

If more than four dependents, see page 19.

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Child Tax Credit Limits

The amount of a taxpayer's child tax credit depends on the taxpayer's:

- tax liability
- modified adjusted gross income and filing status

Adjusted Gross Income	23	Educator expenses (see page XX)	23				
	24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ	24				
	25	Health savings account deduction. Attach Form 8889	25				
	26	Moving expenses. Attach Form 3903	26				
	27	One-half of self-employment tax. Attach Schedule SE	27				
	28	Self-employed SEP, SIMPLE, and qualified plans	28				
	29	Self-employed health insurance deduction (see page 29)	29				
	30	Penalty on early withdrawal of savings	30				
	31a	Alimony paid <input type="checkbox"/> Recipient's SSN <input type="checkbox"/>	31a				
	32	IRA deduction (see page 31)	32				
	33	Student loan interest deduction (see page 33)	33				
	34	Tuition and fees deduction. Attach Form 8817	34				
	35	Domestic production activities deduction. Attach Form 8803	35				
	36	Add lines 23 through 31a and 32 through 35	36				
37	Subtract line 36 from line 22. This is your adjusted gross income	37			60,000	00	

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 80. Cat. No. 11320B Form **1040** (2007)

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Child Tax Credit

A taxpayer's child tax credit can only be as big as their tax liability. Once the tax liability is zero, the credit is zero because there is no tax liability to reduce.

Tax Tip: Taxpayers who are not able to take the full amount of the child tax credit may be able to take the additional child tax credit.

Form 1040 (2007) Page **2**

Tax and Credits			
38	Amount from line 37 (adjusted gross income)	38	
39a	Check <input type="checkbox"/> You were born before January 2, 1943, <input type="checkbox"/> Blind. Total boxes <input type="checkbox"/> if: <input type="checkbox"/> Spouse was born before January 2, 1943, <input type="checkbox"/> Blind. checked <input type="checkbox"/> 39a		
b	If your spouse itemizes on a separate return or you were a dual-status alien, see page 54 and check here <input type="checkbox"/> 39b		
40	Itemized deductions (from Schedule A) or your standard deduction (see left margin)	40	
41	Subtract line 40 from line 38	41	
42	If line 38 is \$117,300 or less, multiply \$3,400 by the total number of exemptions claimed on line 5d. If line 38 is over \$117,300, see the worksheet on page XX.	42	
43	Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-	43	
44	Tax (see page 35). Check if any tax is from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972 c <input type="checkbox"/> Form(s) 8899	44	
45	Alternative minimum tax (see page 39). Attach Form 8251	45	
46	Add lines 44 and 45	46	566 00
47	Credit for child and dependent care expenses. Attach Form 2441	47	
48	Credit for the elderly or the disabled. Attach Schedule R	48	
49	Education credits. Attach Form 8883	49	
50	Residential energy credits. Attach Form 5905	50	
51	Foreign tax credit. Attach Form 1116 if required	51	
52	Child tax credit (see page XX). Attach Form 8901 if required	52	
53	Retirement savings contributions credit. Attach Form 8880	53	
54	Credits from: a <input type="checkbox"/> Form 8309 b <input type="checkbox"/> Form 8859 c <input type="checkbox"/> Form 8839	54	
55	Other credits: a <input type="checkbox"/> Form 3800 b <input type="checkbox"/> Form 8901 c <input type="checkbox"/> Form	55	
56	Add lines 47 through 55. These are your total credits	56	
57	Subtract line 56 from line 46. If line 56 is more than line 46, enter -0-	57	

Standard Deduction for—

- People who checked any box on line 39a or 39b or who can be claimed as a dependent, see page 34.
- All others:
 - Single or Married filing separately, \$5,300
 - Married filing jointly or Qualifying widower, \$10,700
 - Head of household, \$7,850

Tax Tip: Don't confuse these credits with the child and dependent care tax credit!

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Child Tax Credit Limits

A taxpayer's child tax credit may also be reduced if the taxpayer's modified adjusted gross income is above a certain amount for their filing status. The Child Tax Credit table shows the maximum modified adjusted gross income amount for each filing status.

Table 1: Child Tax Credit Maximum Modified Adjusted Gross Income Amounts	
Filing Status	Amount
Married Filing Jointly	\$110,000
Head of Household, Single, or Qualifying Widow(er)	\$75,000
Married Filing Separately	\$55,000

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Child Tax Credit Limits Example

Bill and Mary Allen have two dependent children under age 17. The children qualify for the child tax credit. Bill and Mary will file a joint return. Their modified adjusted gross income is \$55,600. Their tax liability is \$4,194.

- Since their modified adjusted gross income (\$55,600) is less than the maximum amount for their filing status (\$110,000), their initial child tax credit is \$2,000.
- Because their tax liability (\$4,194) is more than their initial child tax credit (\$2,000) they can take the entire \$2,000 child tax credit.

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Child Tax Credit Limits

The IRS supplies worksheets in the instructions with the Form 1040 and 1040A to help taxpayers figure out their child tax credit. If the child is not the taxpayer's dependent, fill out Form 8901. If the taxpayer's adjusted gross income is more than the maximum for their filing status, use the worksheet in Publication 972, Child Tax Credit, to figure the amount of the credit. Otherwise, use the Child Tax Credit worksheet in the Form 1040 and 1040A instructions.

Child Tax Credit Limits Example

Leroy and Melissa are married with three dependent children. They will file a joint Form 1040 for the year. The children are qualifying children for purposes of the child tax credit. Leroy and Melissa's modified adjusted gross income is \$112,000 and their tax liability is \$4,200.

Leroy and Melissa's modified adjusted gross income is over the maximum of \$110,000. Therefore, they are not eligible to claim a full child tax credit and must use Publication 972 to calculate a reduced credit.

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Quick Check!

Answer the following true-false questions about the limits on the amount of credit a taxpayer can receive for the child tax credit by clicking on the correct answer. To assess your answers, click the *Check My Answers* button at the bottom of the page.

Table 1: Child Tax Credit Maximum Modified Adjusted Gross Income Amounts

Filing Status	Amount
Married Filing Jointly	\$110,000
Head of Household, Single, or Qualifying Widow(er)	\$75,000
Married Filing Separately	\$55,000

1) Sue has two children who qualify for the child tax credit. She is Married Filing Separately. Her modified adjusted gross income is \$60,000 and her tax liability is \$4,500. Sue is eligible to claim the \$2,000 child tax credit on her tax return.

- A. True [The correct answer is false.](#)
- B. False

2) Boris files as Head of Household and has three dependent children under 17. The children qualify for the child tax credit. Boris' modified adjusted gross income is \$54,000 and his tax liability is \$4,000. Is Boris eligible to claim the full \$3,000 child tax credit on his tax return?

- A. True [The correct answer is true.](#)
- B. False

3) Jose and Marie are married with two dependent children. They will file a joint Form 1040 for the year. The children qualify for the child tax credit. Jose and Marie's modified adjusted gross income is \$112,000 and their tax liability is \$6,200. Jose and Marie will have to use Publication 972 to figure their reduced credit.

- A. True [The correct answer is true.](#)
- B. False

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Additional Child Tax Credit

When a taxpayer's child tax credit is more than their tax liability, they may be eligible to claim an additional child tax credit as well as the child tax credit.

The additional child credit is also a tax credit of up to \$1,000 per qualifying child. To claim the additional child tax credit, there are:

- the same requirements for the qualifying child as for the child tax credit
- additional requirements for the taxpayer
- different limits on the amount of credit

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Refundable tax credit vs. Nonrefundable tax credit

Nonrefundable Tax Credit

A nonrefundable tax credit allows taxpayers to lower their tax liability to zero, but not below zero.

The child tax credit is a nonrefundable tax credit.

Nonrefundable Child Tax Credit Example

Amy and Matt file as Married Filing Jointly and have two children who qualify for the child tax credit. Their modified adjusted gross income is \$86,000 and their tax liability is \$500. Even though their adjusted gross income is less than the maximum of \$110,000, they can only claim \$500, reducing their tax to zero.

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Refundable tax credit vs. Nonrefundable tax credit

Refundable Tax Credit

A refundable tax credit allows taxpayers to lower their tax liability to below zero. When this occurs, the government owes the taxpayer a [refund](#).

The additional child tax credit is a refundable tax credit.

Refundable Child Tax Credit Example

Remember Amy and Matt, who have two qualifying children, a modified adjusted gross income of \$86,000, and a tax liability of \$500? Because their tax liability is less than the initial child tax credit (\$2,000) they may be able to take the refundable additional child tax credit of \$1,500 (\$2,000-\$500).

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Additional Child Tax Credit Limits

Like the child tax credit, the additional child tax credit allows eligible taxpayers to claim up to \$1,000 for each qualifying child.

The credit is whichever is lower:

- 15% of the taxpayer's taxable earned income that is over \$11,750, or
- The amount of unused child tax credit (caused when tax liability is less than allowed credit)

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Additional Child Tax Credit Taxpayer Requirements

To take the credit, taxpayers must:

- meet the requirements previously discussed for the child tax credit
- have a tax liability that is less than their allowable child tax credit
- earn more than \$11,750 during the tax year

Additional Child Tax Credit Example

Todd and Dawn have one qualifying child, a modified adjusted gross income of \$25,000 and a tax liability of \$250. They may be able to take the additional child tax credit of \$750 (\$1,000 - \$250) because they:

- meet the requirements for the child tax credit
- have a tax liability of \$250 that is less than their initial child tax credit (\$1,000)
- earn \$25,000 (more than \$11,750)

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Quick Check!

Answer the following true-false questions about the limits on the amount of credit a taxpayer can receive for the child tax credit by clicking on the correct answer. To assess your answers, click the *Check My Answers* button at the bottom of the page.

1) Jose and Yolanda Martinez are Married Filing Jointly and have three dependent children under the age of 17. The children qualify for the child tax credit. Jose and Yolanda's modified adjusted gross income is \$48,850 and their tax liability is \$2,000. The Martinezes may be eligible to take the additional child tax credit.

A. True [The correct answer is true.](#)

B. False

2) Taxpayers must take the additional child tax credit in place of the child tax credit.

A. True [The correct answer is false.](#)

B. False

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Lesson Summary

The child tax credit is a nonrefundable credit that allows qualifying taxpayers to reduce their tax liability.

If a taxpayer is not able to use the entire credit from the maximum \$1,000 per qualifying child, they may be eligible for the additional child tax credit, which is a refundable tax credit.

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Module 8 - Glossary

Glossary

tax credit—a dollar-for-dollar reduction in the tax. Can be deducted directly from taxes owed.

refund—money owed to taxpayers when their total tax payments are greater than the total tax liability. Refunds are received from the government.

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